

Message Text

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ACTION EUR-12

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R 221500Z APR 77
FM USMISSION USBERLIN
TO SECSTATE WASHDC 4423
USDOC WASHDC
INFO AMEMBASSY BONN
AMEMBASSY MOSCOW
AMEMBASSY PARIS
AMCONSUL FRANKFURT
AMCONSUL HAMBURG

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USDOC FOR BEWT/TPAD AND HEISS;

PARIS FOR USOECD

E.O.11652: GDS
TAGS: BENC, BEXP, EALR, EAIR, ECRE, EEWT, GW, UR, WB
SUBJECT: BERLIN-CONSULT/SALZGITTER DEAL ON MOSCOW AIR
TERMINAL CONSTRUCTION

REFS: USBERLIN 0388, BONN 06740

1. SUMMARY: BERLIN CONSULT (BC) OFFICIALS INVOLVED IN NEGOTIATIONS WITH SOVIETS OVER PAS YEAR ON SCHEREMETJEVO III PROJECT CONFIRM VARIOUS PRESS REPORTS BY DPA, AP AND OTHERS THAT BERLIN FIRM IN PROCESS OF FORMING JOINT VETNRUE PARTNERSHIP OR CONSORTIUM WITH SALZGITTER TO BUILD TERMINAL. BC SYAS THAT WHILE DETAILS REMAIN UNSETTLED, SALZGITTER, WHICH HAD SOME FINANCING ADVANTAGES, NOW HAS WON COMPETITION TO BECOME GENERAL CONTRACTOR.
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END SUMMARY.

2. MISSION OFFICER DISCUSSED TURN OF EVENTS ON MOSCOW AIR TERMINAL PROJECT WITH BERLIN CONSULT OFFICIALS APRIL 21. OFFICIALS STATED BC LOST GNEERAL CONTRACT TO WEST GERMAN SALZGITTTER CONCERN AFTER FAILING TO BREAK DEADLOCK WITH SOVIETS ON FINANCING ASPECTS. (REFTELS)

SALZGITTER APPEARS TO BE IN BETTER SHAPE ON FINANCING ISSUE BECAUSE IT CAN SUPPLY FROM OWN RESOURCES MUCH OF THE STEEL AND OTHER CONSTRUCTION MATERIALS NEEDED WITHOUT HAVING TO OBTAIN FINANCING FROM CAPITAL MARKET. SALZGITTER THEREFORE ABLE UNDERBID BC ON PRICE AND OFFER FINANCIAL TERMS ACCEPTABLE TO SOVIETS. BC SAYS IT DOES NOT YET KNOW DETAILS OF SALZGITTER FINANCIAL PACKAGE.

3. SOVIETS INITIALED PRE-CONTRACT WITH SALZGITTER BUT NEGOTIATIONS ON FINAL CONTRACT REMAIN IN PROGRESS. BC BELIEVED IT WAS OUT AND JOINED SALZGITTER WITH RANK OF JUNIOR PARTNER. ACCORDING TO BC IT IS NOT YET CLEAR WHAT PERCENTAGE OF ORIGINAL 250 MILLION DM PRE-CONTRACT WILL ACTUALLY GO TO BERLIN CONSULT OR THROUGH IT TO WEST BERLIN ECONOMY. DISCUSSIONS NOW TAKING PLACE AT SALZGITTER OFFICES IN HANNOVER-LANGEHAGEN EXPECTED TO LAST WELL INTO MAY.

4. BC BELIEVES HAMBURG-BASED ARCHITECTURAL FIRM VON JONHAHRS MACKS WILL RETAIN TASK OF DESIGNING AIR TERMINAL. IT IS ALSO ANTICIPATED THAT AMERICAN MANUFACTURED EQUIPMENT (SUCH AS AIR PASSENGER LOADERS) WILL BE CONSIDERED (REFTELS).

5. BC BELIEVES NO POLITICAL FACTORS INVOLVED IN SOVIET DECISION. SOVIETS TOLD BC THIS WEEK THEY WOULD ACTUALLY HAVE PREFERRED TO AWARD GENERAL CONTRACT TO WEST BERLIN FIRM. (PRESUMABLY BECAUSE OF GOOD PREVIOUS LIMITED OFFICIAL USE

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EXPERIENCES.) BC OFFICIALS WONDER WHETHER IN LONG RUN SALZGITTER WILL PROFIT ON PROJECT. SALZGITTER EXPERIENCED BUSINESS DIFFICULTY IN PAST YEAR, RUNNING 50 MILLION DM IN RED WHILE BC PERFORMED PROFITABLY. COMMENT:BERLIN CONSULT OFFICIALS ADMIT DEEP DISAPPOINTMENT AT LOSING GENERAL CONTRACT TO WEST GERMAN COMPETITION, AND FEEL FEDERAL GOVERNMENT SWALLOWED UP SMALLER STATE (LAND) IN SITUATION WHERE BOTH COMPANIES GOVERNMENT-OWNED OR CONTROLLED. BC NOW STRIVING SALVAGE SOME ADVANTAGES FOR WEST BERLIN ECONOMY VIA CONSORTIUM OR KOMSOZIAL VERTRAG ARRANGEMENT. GEORGE

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